

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6971

BILL NUMBER: SB 375

DATE PREPARED: Dec 28, 2001

BILL AMENDED:

SUBJECT: Farm Mutual Insurance Companies.

FISCAL ANALYST: Michael Molnar

PHONE NUMBER: 232-9559

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State

Summary of Legislation: This bill provides for the establishment, operation, and regulation of farm mutual insurance companies. The bill authorizes a farm mutual insurance company to sell insurance in incorporated areas. It provides a procedure through which a standard farm mutual insurance company may become an extended farm mutual insurance company. The bill also authorizes an extended farm mutual insurance company to write extended lines of coverage, including liability insurance. It repeals the former law concerning farmers' mutual insurance companies. The bill also makes conforming amendments.

Effective Date: July 1, 2002.

Explanation of State Expenditures: The Department of Insurance will experience a negligible increase in workload. This bill increases reporting requirements and creates a new insurance category.

Under current law, farm mutual insurance companies are restricted to property insurance and are not authorized to provide liability insurance. In addition, farm mutual insurance companies are not allowed to sell policies in incorporated areas of the state. This bill rescinds the restrictions on farm mutual insurance companies regarding the type of insurance that they can sell and the area in which they can sell their policies.

The bill sets criteria that allow farm mutual insurance companies to obtain a certificate of authority as an extended farm mutual insurance company. These extended companies can offer insurance lines above and beyond the current farm property coverages. Extended companies can provide the same types of policies as a standard farm mutual company as well as liability coverage, motor vehicle coverage, and other kinds of insurance approved by the Commissioner.

Both standard and extended farm mutual insurance companies are limited to the amount of annual written direct premium they can write and still be certified a farm mutual insurance company. If the amount of annual written direct premium exceeds \$15 M, they must apply for certification as a multiple line insurance

company.

The funds and resources required to administer any additional workload could be supplied through a variety of sources, including the following: (1) Existing staff and resources not currently being used to capacity; (2) Existing staff and resources currently being used in another program; (3) Authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) Funds that, otherwise, would be reverted; (5) Funds derived from filing fees or (6) New appropriations.

Background: There are currently 41 farm mutual insurance companies in the state. It is anticipated that less than 10% of these companies would become certified as an extended company in the first year. As time progresses, more standard companies may seek the extended certification. Department staff anticipate that administrative costs associated with overseeing these new extended companies would be minimal.

Explanation of State Revenues: This bill requires farm mutual insurance companies to pay filing fees periodically. The fees are set forth in IC 27-1-3-15. These fees are to be deposited in the General Fund and the Department of Insurance Fund. In addition, the Commissioner may levy a civil penalty not in excess of \$25,000 if the company sells insurance without a certificate of authority or sells, issues, delivers, advertises, or makes any kind of insurance not specified in their certificate.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of Insurance.

Local Agencies Affected:

Information Sources: Cynthia Donovan, Manager of Securities and Financial Services Operations, Department of Insurance, (317) 232-2408; Susan Andrews, Executive Vice President, Mutual Insurance Companies Association of Indiana, (317) 848-5067.